

AISHA SHULE - W.E.B. DUBOIS PREPARATORY ACADEMY  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITORS' REPORTS  
JUNE 30, 2008

AISHA SHULE - W.E.B. DUBOIS PREPARATORY ACADEMY  
FINANCIAL STATEMENTS  
JUNE 30, 2008

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**GREGORY  
TERRELL  
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors  
Aisha Shule - W.E.B. DuBois Preparatory Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate fund information of the Aisha Shule - W.E.B. DuBois Preparatory Academy as of and for the year ended June 30, 2008, as listed in the accompanying table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

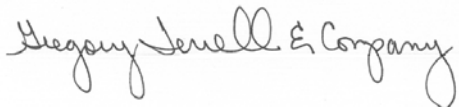
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Aisha Shule - W.E.B. DuBois Preparatory Academy as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated November 14, 2008 on our consideration of the Aisha Shule - W.E.B. DuBois Preparatory Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The supplemental information is information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink on a light-colored background.

**GREGORY TERRELL & COMPANY**  
Certified Public Accountants

November 14, 2008

AISHA SHULE - W.E.B. DUBOIS PREPARATORY ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2008

## **INTRODUCTION**

The following discussion and analysis provides an overview of the financial position and activities of Aisha Shule/W.E.B. DuBois Preparatory Academy (Academy) for the year ending June 30, 2008. Prior year data is not available for comparison but will be provided in subsequent years. This discussion has been prepared by management and should be read in conjunction with the Academy's financial statements and related notes which immediately follow this section.

Aisha Shule/W.E.B. DuBois Preparatory Academy, a charter school authorized by the Detroit Public Schools District, is a self-contained Kindergarten through Twelfth Grade educational system that promotes and supports student and community self-actualization through affirmative, Afrikan-Centered instruction and experiences. Before receiving its charter in 1995, the Academy, founded in 1974 as an independent school, pioneered the practice of Afrikan-Centered curriculum and instruction in Michigan. The concept of the Academy evolved out of the philosophy that the character of a child's school must, at its center, reflect the history and cultural heritage of its students and community.

As an Afrikan-Centered Public School Academy, we are honored to continue to serve children whose parents have chosen our academy as an educational option for them. Our continuing commitment to those families, is to extend every effort towards enabling each student to succeed by providing strong academic instruction in a nurturing violence-free environment, where there are extended opportunities for intellectual, cultural, physical and social development. We continue to be an active member of the Public School Academies community, which will hopefully one day become integrated into a true partnership with the larger educational community working together, within and without the school house walls serving the best interests of parents and children.

Any and all advancement that the Academy has made this school year is due to the fine advice, direction and support given to us by our Baraza ya Kujichagulia (Board of Directors), under the leadership of our chairman, Attorney Jeffrey Edison. Additionally, our Academy Leadership Team, teachers and support staff have all embraced and enhanced the vision and mission of the academy and continue to put forth strong efforts in raising the achievement level of our students. Collective decision-making towards excellence continues to be a hallmark of the school's progress. The willingness of staff to work extra un-paid hours in behalf of student improvement, and to make professional development a priority through in-service, study-groups, seminars and college courses, demonstrates their interest in personal and professional enhancement.

The yearly return of the majority of our students helps to solidify their educational experience and gives greater opportunity for school improvement. New students are more readily acclimated as our up-dated School Improvement Plan strategies are designed to accommodate a more diverse population of learners, meeting many special needs by making broader use of community resources.

AISHA SHULE - W.E.B. DUBOIS PREPARATORY ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2008

There is no intention for the Academy to ever become a large school, but there is every intention to become a great one. As we grow in the arts of education, understand more about technology and its possibilities, seek continuous school improvement, do solid work in preparing our students to take their places at the global table, work with the whole community of educators, we sincerely embrace the concept of *No Child Left Behind!*

## **USING THE FINANCIAL STATEMENTS**

This annual financial report consists of four parts -- independent auditor's report on financial statements, this management's discussion and analysis, the basic financial statements, and notes to the financial statements. These statements are organized so the reader can understand the Academy financially as a whole. The district-wide financial statements provide both short-term and long-term information about the Academy's overall financial status. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the district-wide financial statements by providing information about the Academy's most significant fund -- the General Fund, with all other funds presented in one column as non-major funds.

## **FINANCIAL HIGHLIGHTS**

### **District-wide Financial Statements**

The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, present the financial position of the Academy at the end of the fiscal year. Utilizing the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions, all current year revenues are recorded when that revenue has been earned and expenses recorded when incurred regardless of when cash is received or paid. Over time, increases or decreases in the Academy's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. Many non-financial factors must be considered such as the quality of the education provided, changes in the Academy's enrollment and safety of the school to assess the overall health of the Academy.

Despite difficult economic times and decreasing financial support from the State of Michigan, the Academy's financial position remained stable at June 30, 2008. The Net Assets, which represent the residual interest in the Academy's assets after liabilities are deducted, for the 2007-08 fiscal year was \$290,351.

AISHA SHULE - W.E.B. DUBOIS PREPARATORY ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2008

**Fund Financial Statements**

The statement of revenues, expenses and changes in net assets presents the Academy's results of operations. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view that help you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Again, the most significant fund is the General fund and the non-major fund represents the school service fund.

Operating revenues for the year ended June 30, 2008 were \$2.45 million comprised primarily of state aid foundation allowance revenue. Federal grants totaled over \$311 thousand and fundraising efforts resulted in the contribution of an additional \$32 thousand in operating revenue.

Operating expenses are the related costs incurred in order to generate operating revenue. Operating expenses for the 2007-08 fiscal year totaled just over \$2.48 million.

The goal of the Academy's food service program is to provide affordable nutritional meals to all students. Studies have shown that balanced nutritional meals are vital to the learning process. Additionally, children who eat breakfast have more energy and stamina and perform better on tests than children who do not eat breakfast. The Academy provides a free breakfast to all students who arrive early to school. Also, approximately 50% of school lunch revenue is uncollected from the students who are required to pay for their lunch. The school service fund deficit for the year ended June 30, 2008 was \$54,605, which had to be offset by the General Fund resulting in an overall operating deficit of \$28,760. The deficit was offset this year by the beginning fund balance of \$213,424, resulting in an ending fund balance of \$184,664. As stated earlier, the main goal of the Academy is to provide educational services to our students and not to generate profits.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The Academy's revenue is heavily dependent on State of Michigan funding and the health of the State's School Aid Fund and the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The per pupil allowance for the 2008-09 fiscal year is projected to remain at the 2007-08 level. In response to the State's appropriation projections, the Academy will be implementing various strategies to meet the resulting economic challenges including, but not limited to: increased enrollment, implementing best practices in each classroom, professional fundraising efforts, utilizing technology to improve efficiency and reduce costs and continued tight control of expenditures.

AISHA SHULE - W.E.B. DUBOIS PREPARATORY ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2008

**CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 20119 Wisconsin Street, Detroit, Michigan 48221.



AISHA SHULE/W.E.B. DUBOIS PREPARATORY ACADEMY  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 18,842
Due from Other Governmental Units	<u>776,606</u>
<b>Total Current Assets</b>	<b><u>\$ 795,448</u></b>
<b>Noncurrent Assets:</b>	
Capital Assets	\$ 408,710
Less Accumulated Depreciation	<u>(303,023)</u>
<b>Total Noncurrent Assets</b>	<b><u>\$ 105,687</u></b>
<b>Total Assets</b>	<b><u><u>\$ 901,135</u></u></b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 426,321
Accrued Expenditures	<u>184,463</u>
<b>Total Liabilities</b>	<b><u>\$ 610,784</u></b>
<b>Net Assets</b>	
Invested in Capital Assets Net of Related Debt	\$ 105,687
Unrestricted	<u>184,664</u>
<b>Total Net Assets</b>	<b><u>\$ 290,351</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 901,135</u></u></b>

The accompanying notes are an integral part of this financial statement.

AISHA SHULE/W.E.B. DUBOIS PREPARATORY ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (expenses) Revenue and Changes in Net Assets</u>
		<u>Changes for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction	\$ 1,200,660	\$ -	\$ 119,835	\$ (1,080,825)
Support Services	1,058,990	-	139,877	(919,113)
Food Services	110,125	1,276	51,446	(57,403)
Community Services	2,129	-	-	(2,129)
Unallocated Depreciation	11,157	-	-	(11,157)
Total Governmental Activities	<u>\$ 2,383,061</u>	<u>\$ 1,276</u>	<u>\$ 311,158</u>	<u>\$ (2,070,627)</u>
Grant Revenues:				
State of Michigan School Aid Unrestricted				\$ 2,109,963
Miscellaneous Revenue				<u>30,406</u>
Total General Revenue				<u>\$ 2,140,369</u>
Change In Net Assets				\$ 69,742
<b>Net Assets</b> , Beginning of Year				<u>220,609</u>
<b>Net Assets</b> , End of Year				<u>\$ 290,351</u>

The accompanying notes are an integral part of this financial statement.

AISHA SHULE/W.E.B. DUBOIS PREPARATORY ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
<b>Assets</b>			
Cash and Cash Equivalents	\$ 18,842	\$ -	\$ 18,842
Due from Other Governmental Units	754,745	21,861	776,606
Due from Other Funds	21,861	-	21,861
<b>Total Assets</b>	<u>\$ 795,448</u>	<u>\$ 21,861</u>	<u>\$ 817,309</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 426,321	\$ -	\$ 426,321
Accrued Expenditures	184,463	-	184,463
Due to Other Funds	-	21,861	21,861
<b>Total Liabilities</b>	<u>\$ 610,784</u>	<u>\$ 21,861</u>	<u>\$ 632,645</u>
<b>Fund Balances</b>			
Reserved for:			
Unreserved, reported in:			
Unrestricted	184,664	-	184,664
<b>Total Fund Balances</b>	<u>\$ 184,664</u>	<u>\$ -</u>	<u>\$ 184,664</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 795,448</u>	<u>\$ 21,861</u>	<u>\$ 817,309</u>
<b>Total Governmental Fund Balances</b>			\$ 184,664
<b>Amounts reported for governmental activities in the Statement of Net Assets are therefore are not reported in the funds.</b>			
The cost of the capital assets is		\$ 408,710	
Accumulated depreciation is		(303,023)	105,687
<b>Net assets of governmental activities</b>			<u>\$ 290,351</u>

The accompanying notes are an integral part of this financial statement.

**AISHA SHULE/W.E.B. DUBOIS PREPARATORY ACADEMY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b><u>General Fund</u></b>	<b><u>Other Nonmajor Governmental Funds</u></b>	<b><u>Total Governmental Funds</u></b>
<b>REVENUES:</b>			
Local Sources	\$ 30,406	\$ 1,276	\$ 31,682
State Sources	2,107,165	2,798	2,109,963
Federal Sources	<u>259,712</u>	<u>51,446</u>	<u>311,158</u>
Total Revenues	<u>\$ 2,397,283</u>	<u>\$ 55,520</u>	<u>\$ 2,452,803</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Basic Programs	\$ 1,200,660	\$ -	\$ 1,200,660
Total Instruction	<u>\$ 1,200,660</u>	<u>\$ -</u>	<u>\$ 1,200,660</u>
Support Services:			
Pupil	\$ 60,404	\$ -	\$ 60,404
General Administration	310,383	-	310,383
School Administration	221,926	-	221,926
Business	165,930	-	165,930
Operations and Maintenance	<u>300,347</u>	<u>-</u>	<u>300,347</u>
Total Support Services	<u>\$ 1,058,990</u>	<u>\$ -</u>	<u>\$ 1,058,990</u>
Community Services	\$ 2,129	\$ -	\$ 2,129
Food Services	<u>\$ -</u>	<u>\$ 110,125</u>	<u>\$ 110,125</u>
Capital Outlay	<u>\$ 109,659</u>	<u>\$ -</u>	<u>\$ 109,659</u>
Total Expenditures	<u>\$ 2,371,438</u>	<u>\$ 110,125</u>	<u>\$ 2,481,563</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 25,845</u>	<u>\$ (54,605)</u>	<u>\$ (28,760)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers In	\$ -	\$ 54,605	\$ 54,605
Operating Transfers Out	<u>(54,605)</u>	<u>-</u>	<u>(54,605)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (28,760)</u>	<u>\$ -</u>	<u>\$ (28,760)</u>
Beginning of Year	<u>213,424</u>	<u>-</u>	<u>213,424</u>
End of Year	<u>\$ 184,664</u>	<u>\$ -</u>	<u>\$ 184,664</u>

The accompanying notes are an integral part of this financial statement.

AISHA SHULE/W.E.B. DUBOIS PREPARATORY ACADEMY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

<b>Net change in fund balances total governmental funds</b>	\$ (28,760)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities  
These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(11,157)
Capital Outlay	<u>109,659</u>

<b>Change in net assets of governmental activities</b>	<u>\$ 69,742</u>
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The accompanying notes are an integral part of this financial statement.

**AISHA SHULE/W.E.B. DUBOIS PREPARATORY ACADEMY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive / (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual Amounts</u></b>	
<b>REVENUES:</b>				
Local	\$ 20,000	\$ 20,000	\$ 30,406	\$ 10,406
State Sources	2,104,725	1,986,565	2,107,165	120,600
Federal Sources	<u>245,800</u>	<u>245,800</u>	<u>259,712</u>	<u>13,912</u>
Total Revenues	<u>\$ 2,370,525</u>	<u>\$ 2,252,365</u>	<u>\$ 2,397,283</u>	<u>\$ 144,918</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic Programs	\$ 1,024,225	\$ 1,035,725	\$ 1,200,660	\$ (164,935)
Total Instruction	<u>\$ 1,024,225</u>	<u>\$ 1,035,725</u>	<u>\$ 1,200,660</u>	<u>\$ (164,935)</u>
Support Services:				
Pupil	\$ 80,420	\$ 140,575	\$ 60,404	\$ 80,171
General Administration	228,660	170,360	310,383	(140,023)
School Administration	248,313	224,184	221,926	2,258
Business	150,086	152,336	165,930	(13,594)
Operations and Maintenance	<u>273,056</u>	<u>301,056</u>	<u>300,347</u>	<u>709</u>
Total Support Services	<u>\$ 980,535</u>	<u>\$ 988,511</u>	<u>\$ 1,058,990</u>	<u>\$ (70,479)</u>
Community Services	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 2,129</u>	<u>\$ 2,871</u>
Capital Outlay	<u>\$ 105,000</u>	<u>\$ 115,000</u>	<u>\$ 109,659</u>	<u>\$ 5,341</u>
Total Expenditures	<u>\$ 2,114,760</u>	<u>\$ 2,144,236</u>	<u>\$ 2,371,438</u>	<u>\$ (227,202)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 255,765</u>	<u>\$ 108,129</u>	<u>\$ 25,845</u>	<u>\$ (82,284)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In (Out)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (54,605)</u>	<u>\$ (54,605)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 255,765</u>	<u>\$ 108,129</u>	<u>\$ (28,760)</u>	<u>\$ (136,889)</u>
Beginning of Year	<u>213,424</u>	<u>213,424</u>	<u>213,424</u>	<u>-</u>
End of Year	<u>\$ 469,189</u>	<u>\$ 321,553</u>	<u>\$ 184,664</u>	<u>\$ (136,889)</u>

The accompanying notes are an integral part of this financial schedule.

AISHA SHULE - W.E.B. DUBOIS PREPARATORY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2008

(1) **ORGANIZATION**

Aisha Shule - W.E.B. DuBois Preparatory Academy is a Public School Academy (K-12). The State of Michigan has delegated the Detroit Public School District the responsibility of authorizing the establishment of public school academies. The Detroit Public School District approved the establishment of Aisha Shule - W.E.B. DuBois Preparatory Academy pursuant to the Michigan School Code of 1976 ("Code"), as amended.

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All of the Academy's activities are classified as governmental activities.

The statement of activities, demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

**Measurement focus, basis of accounting, and financial statement presentation**

The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue, as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources, measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

AISHA SHULE - W.E.B. DUBOIS PREPARATORY ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS (cont'd)**

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The Academy reports the following non-major governmental fund:

The *school service fund* is the Academy's primary non-major fund. It is used to account for food services operations. It is a subsidiary operation and obligation of the General Fund.

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by Aisha Shule - W.E.B. DuBois Preparatory Academy (the "Academy") are described below:

Cash Equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

Investments

Investments are stated at fair value.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.



AISHA SHULE - W.E.B. DUBOIS PREPARATORY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Furniture and other equipment	3-7 years
Leasehold Improvements	20 years

The Academy's capitalization policy is individual amounts exceeding \$1,000.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Use of Estimates

The preparation of general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgets and Budgetary Accounts

The General Fund budget (that included School Service Fund activity) was adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978). The Academy did not adopt a separate School Service Fund budget and the Academy's budget was not posted to their website.

For the year end June 30, 2008, expenditures exceeded appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
Basic Programs	\$ 1,035,725	\$ 1,200,660	\$ (164,935)
General Administration	170,360	310,383	(140,023)
Business Services	152,336	165,930	(13,594)

AISHA SHULE - W.E.B. DUBOIS PREPARATORY ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)

(4) **CASH AND CASH EQUIVALENTS**

The Academy's deposits are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ <u>18,842</u>
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State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$23,893. The total amount was covered by federal depository insurance.

(5) **CAPITAL ASSETS**

A summary of capital assets is presented below:

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2008</u>
Furniture and equipment	\$ 14,563	\$ -	\$ -	\$ 14,563
Computer equipment	284,488	-	-	284,488
Leasehold improvements	<u>-</u>	<u>109,659</u>	<u>-</u>	<u>109,659</u>
Subtotal	\$ 299,051	\$ 109,659	\$ -	\$ 408,710
Less accumulated depreciation	<u>(291,866)</u>	<u>(11,157)</u>	<u>-</u>	<u>(303,023)</u>
Net capital assets	<u>\$ 7,185</u>	<u>\$ 98,502</u>	<u>\$ -</u>	<u>\$ 105,687</u>

Depreciation for fiscal year ended June 30, 2008 amounted to \$11,157. The Academy determined that it was impractical to allocate depreciation to the various Academy activities as the assets serve multiple functions.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)

(6) **MANAGEMENT AGREEMENT**

For the year ended June 30, 2008, the Academy utilized a management company, Key Concepts Educational Management Company ("Key Concepts"). Key Concepts provide teachers and various management services to the Academy. Key Concepts billed the Academy for salaries and related fringes (FICA, retirement and insurance) as well as a management fee. The management fee was set at 7.5% of the Academy's state aid receipts.

(7) **OPERATING LEASE COMMITMENTS**

The Academy is party to an operating lease with the Detroit Public School District, a Michigan municipal corporation. The lease requires a monthly payment of \$ 6,000. The lease term is for five (5) years starting August 15, 2005 and expires August 15, 2010.

The minimum future lease payments are presented below:

2009	\$	72,000
2010		72,000
2011		<u>12,000</u>
	\$	<u>156,000</u>



**GREGORY  
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& COMPANY**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Aisha Shule/W.E.B. Dubois Preparatory Academy

We have audited the financial statements of Aisha Shule/W.E.B. Dubois Preparatory Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

### **Segregation of Duties**

During our audit we noted that one of the parties responsible for making Academy purchases also is responsible for receiving and verifying the receipt of goods and is also an authorized check signer. In addition, we noted that the Business Manager is an authorized check signer. We recommend that the purchasing, receiving and payment functions be separated. In addition, the Business Manager should be removed as an authorized check signer with the bank because this responsibility is not compatible with other duties that include recording transactions, preparing checks and making bank deposits.

### **Cash Disbursements**

During our audit we noted that the Academy follows the practice of issuing signed checks to be filled in as to the payee and amount at the store after the purchase of goods is made. This practice poses a significant risk of loss in the event the signed check is lost or stolen or is used for unauthorized purchases. We recommend that this practice be discontinued.

### **Bank Account Reconciliations**

The Academy's bank account was reconciled prior to the start of our audit fieldwork. However, the bank account was not reconciled to the general ledger on a monthly basis during the school year. As a result, significant year end adjustments were required to be made. Therefore, interim financial reports provided to management throughout the school year were not completely accurate. We recommend that the Academy retain a skilled external accountant to reconcile their bank account on a monthly basis utilizing the bank reconciliation feature of the Academy's accounting software.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies relating to Cash Disbursements and Bank Account Reconciliations are material weaknesses.

### **Compliance and Other Matters**

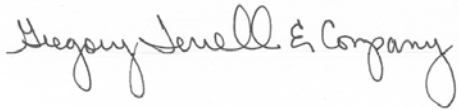
As part of obtaining reasonable assurance about whether Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as described below:

### **Cash Management**

During the audit we noted that the Academy requested 100% of their grant funds after receiving notice of the availability of the funds and before incurring the costs. The Academy is required to disburse these funds within three (3) days of receiving the funds from the State of Michigan. We recommend that the Academy adhere to the State of Michigan's cash management requirements.

We noted certain matters that we reported to management of the Academy, in a separate letter dated November 14, 2008.

This report is intended solely for the information and use of management, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gregory Terrell & Company".

**GREGORY TERRELL & COMPANY**  
Certified Public Accountants

November 14, 2008



**GREGORY  
TERRELL  
& COMPANY**

November 14, 2008

To the Senior Management and  
Board of Directors of  
Aisha Shule/W.E.B. Dubois Preparatory Academy

In planning and performing our audit of the financial statements of Aisha Shule/W.E.B. Dubois Preparatory Academy (the "Academy") as of and for the year ended June 30, 2008, we considered the Academy's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 14, 2008, on the financial statements of the Academy.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Academy personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

**Purchasing**

During our review of purchasing procedures we noted the lack of formal purchasing procedures which included the use of pre-numbered purchase requisitions/purchase orders and the dollar threshold that would require Board approval of the purchase. In addition, we noted that the Business Manager is not required to sign-off on purchase requests as to the availability of budgeted funds.

We recommend that formal purchasing procedures be developed that include the use of pre-numbered purchase requisitions/purchase orders, requires sign-off by the Business Manager as to the availability of budgeted funds, and includes a specific dollar amount that would require the purchase to be approved by the Board.

**Financial Reporting**

During our audit we noted that the financial reports that are submitted to management and the Board by the Business Manager do not include a comparison between budgeted and actual revenues and expenses. We recommend that budgetary reporting be made to management and the Board to ensure that timely actions can be taken to amend the budget for compliance with the Uniform Budgeting and Accounting Act.

We also noted that the payroll of account of the Academy's management company is recorded in the Academy's general ledger and the costs of the management company's employees were shown as Salaries and Wages as opposed to Purchased Services. We recommend that the balance in the payroll account that represents advances to the management company to cover Purchased Services be reclassified as a receivable account and not a cash account.

**Budgets**

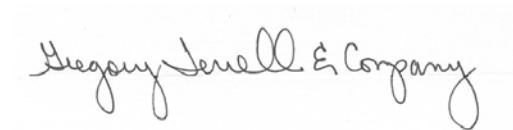
The Academy did not adopt a separate School Service Fund budget for the year ended June 30, 2008, but included the food service activity in their General Fund budget. We also noted that the Academy's budget was not posted to their website or the Wayne RESA website. These are requirements of the Uniform Budgeting and Accounting Act and the Academy should implement steps to comply with them.

### **Student Activity Funds**

During the audit we noted that the Business Manager tracks and accounts for funds collected from student groups. However, these funds are deposited into the Academy's general checking account. We recommend that a separate Student Activity bank account be established and reconciled monthly to the overall balances of the student groups.

We wish to thank the Business Manager and Business Office personnel for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink on a light-colored background.

**GREGORY TERRELL & COMPANY**

Certified Public Accountants

November 14, 2008